

Statement of

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“FEMA’s Gulf Coast Rebuilding Efforts: The Path Forward”

Before the

House Committee on

Homeland Security’s Subcommittee on

Emergency Communications, Preparedness and Response

U.S. House of Representatives

Washington, DC

March 3, 2009

Introduction

Good morning, Chairman Cuellar, Ranking Member Rogers and other distinguished members of the Committee. It is a privilege to appear before you today on behalf of the Department of Homeland Security (DHS) and the Federal Emergency Management Agency (FEMA). As always, we appreciate your interest in, and continued support of emergency management, specifically FEMA's response and recovery efforts in the wake of disaster events.

I am joined today by James Walke, Acting Assistant Administrator for the Disaster Assistance Directorate at FEMA. We are pleased to be here with you today to update you on our Public Assistance (PA) efforts from hurricanes Katrina and Rita throughout the Gulf Coast.

Public Assistance Overview

FEMA's PA program is a vital and visible part of the recovery process. FEMA has been extremely active in working with the States and local governments to repair, restore, or rebuild public services and facilities. FEMA's PA program provides grants to States, local governments and certain private non-profits to reimburse for the removal of debris, for emergency protective measures and temporary relocation of certain services or functions, and the repair and replacement of infrastructure damaged or destroyed by a disaster event. The repair or replacement of infrastructure can include public roads, bridges, drainage structures, water control facilities, public buildings, public utilities, parks and other facilities.

Though funded by FEMA, the State administers the PA program. Local governments and other eligible applicants receive their funding through the States. When State and local governments identify eligible projects, FEMA, along with the State and applicant, prepares a project worksheet to document the disaster damage to the facility and estimate the cost to repair the damage. FEMA enters the completed project worksheet into NEMIS, our management information system, to begin the funding process. A project worksheet has been prepared for every project that the State and local governments have identified to FEMA. There are occasions when the PW has to amend an obligated project worksheet to adjust the eligible scope of work or cost estimate for a project to ensure that funding is provided to eligible applicants, for eligible work and for eligible costs.

FEMA staff works very closely with the State and the eligible applicant to complete the project worksheets and obligate the federal share of assistance. FEMA, State and public/private nonprofit applicants jointly prepare project worksheets. Preparing project worksheets and reaching agreement on the eligible scope of work and cost estimates is a collaborative process that takes time to complete.

Once FEMA approves and obligates a project worksheet, the State receives the funds to disburse to the applicant. As of February 20, 2009, FEMA has obligated over \$10.5 billion in public assistance funding to the Gulf Coast states (including \$7.5 billion to Louisiana and \$2.9 billion to Mississippi).

The State controls the pace of such disbursements. Federal regulations authorize States to disburse funds for small projects (projects that cost less than \$55,500) to applicants up front, if state regulations allow such payment. For large projects (projects that cost more than \$55,500), Federal regulations authorize States to disburse funds to applicants on a reimbursement basis. In other words, applicants must have incurred costs before they can request funds from the State. However, in an effort to meet the financial challenges of local applicants, the States of Louisiana and Mississippi have both established policies to provide advance funding to begin design work and construction. To date, the Louisiana Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) has disbursed \$4.1 billion of the \$7.5 billion FEMA has obligated to applicants. The Mississippi Emergency Management Agency (MEMA) has disbursed \$1.6 billion of the \$2.9 billion FEMA has obligated to applicants.

In some cases, FEMA must amend or prepare an alternate version of a PW to revise the scope of work to reflect newly identified damage, or revise the cost estimate after the applicant finalizes design of the project or awards construction contracts. FEMA estimates that approximately 1,400 project worksheets in Louisiana may require an amendment or version update. While we have had many challenges, we believe that FEMA and the State of Louisiana have developed a process to systematically and efficiently evaluate applicants' requests to amend project worksheets.

In Mississippi, there have been significantly fewer requests to amend or prepare alternate versions to obligated project worksheets. Typically, FEMA has amended or prepared versions of project worksheets after the applicant completes the work and FEMA and the State reconcile project costs.

There are sometimes disagreements between FEMA and applicants about the extent of disaster-related damages to facilities that were not well-maintained prior to the disaster. The Stafford Act authorizes FEMA to reimburse applicants to repair disaster-related damages. Based on assessments by FEMA Public Assistance staff, some of the facilities damaged by Katrina and Rita also suffered from deferred maintenance. Although FEMA has prepared project worksheets to document what we believe to be the disaster-related damages, applicants have not initiated repairs to the facilities or submitted formal appeals. If an applicant does not agree with a scope of work in an approved PW, FEMA regulations (44 CFR 206.206) provide an applicant 60 days to file a first appeal with the appropriate FEMA regional office. If the Regional Administrator denies the first appeal, the applicant has 60 days to file a second appeal with the Assistant Administrator at FEMA Headquarters.

The American Recovery and Reinvestment Act of 2009 contains a provision that directs the President to establish an arbitration panel to expedite recovery efforts in the Gulf Coast for Hurricanes Katrina and Rita. The Administration is developing procedures to implement this new requirement. In the meantime, FEMA will continue to work with the States and applicants to resolve disputes.

Public Assistance Innovations

We have made, I believe, significant progress in promoting recovery in the Gulf Coast. As of February 13, 2009, FEMA has obligated over \$10.5 billion in public assistance funding to the Gulf Coast states (Louisiana and Mississippi). In recognition of the extraordinary level of devastation to the area, FEMA developed innovative strategies, within the authorities of the Stafford Act, to help Louisiana deal with the challenges of recovering from Hurricanes Katrina and Rita. These innovations included:

- **Alternative arrangements:** All FEMA funded projects must comply with the National Environmental Policy Act. Traditionally, FEMA would assess the environmental impact of each new facility. To accelerate the environmental review process, FEMA developed a process to evaluate environmental impacts that decreases the amount of time usually required for environmental reviews, approvals, and comment periods, but still meets the requirements of the National Environmental Policy Act. This has allowed us to approve and obligate funds for new projects quicker.
- **Building contents:** Traditionally, FEMA requires applicants to use their reimbursements to replace damaged contents on a piece-by-piece basis. Following Hurricanes Katrina and Rita, FEMA provided applicants with the flexibility to combine all of their grant monies for contents into one grant and use that money toward broad contents categories, such as furniture, publications, and information technology. This flexibility allows applicants to maximize their funding and adjust it to their specific content needs instead of forcing them to purchase pencil-for-pencil or book-for-book.
- **Consolidation projects:** FEMA has allowed applicants the option of combining multiple facilities and their functions into one facility or multiple facilities at one location without a reduction in eligible funding. This initiative is called project consolidation. This allows applicants the flexibility to use monies to rebuild smarter in implementing their recovery plans. For example, a county/parish may decide it needs fewer fire stations in one area but bigger fire stations in another area to best serve population shifts. The county/parish can make that decision without losing any FEMA funding.
- **Project management fees:** Applicants have the option to receive project management fees upfront and lumped together in one project worksheet for all of their projects, so they can use those funds to employ architectural and engineering (A&E) firms to begin designs for facility repair/rebuilding. This allows

applicants the flexibility to begin work on priority projects and funnel monies toward the design of those projects so rebuilding can begin.

- **Vehicle replacement:** Traditionally, FEMA reimburses an applicant for each damaged or destroyed vehicle and require applicants to replace them in-kind. FEMA has adjusted its policy for the replacement of vehicles. Applicants have the flexibility to take funds for the replacement of storm-damaged vehicles and use them to purchase a smaller number of alternate vehicles with the same function.

FEMA continues to adapt its policies, where possible, on other issues that will expedite the recovery process.

Public Assistance Challenges

While progress has been made in streamlining and expediting funds to the State and local governments, a number of unique and significant hurdles remain facing the State and local governments.

- Grant funds are limited to actual costs and applicants are struggling with funding shortfalls as they address real needs in repairing and replacing facilities. These issues include both cash flow problems and the applicants' efforts to address non-disaster related improvements and expansions not eligible for PA funding.
- Louisiana and Mississippi still have not made decisions regarding accepting the current level of funding proposed by FEMA, and subsequently, this has hindered decisions regarding what building projects they intend to repair, rebuild, consolidate or relocate. This is reflected in the small number of construction projects actually underway. This indecision on the part of the States has not hindered FEMA, however, from obligating these funds to the State to begin work on these projects. Additionally, because states have not drawn down these funds, and not filed formal appeals to request additional funding, funds remain unspent in the State's account.
- FEMA accommodated the State of Louisiana's request to create updated project worksheet versions each time a significant change was made to the scope of work, costs, etc, during the life of the project. However, this accommodation has significantly increased the number of project worksheet versions in Louisiana and disputes.

FEMA anticipates working closely with State and local governments to resolve these issues.

Looking Ahead

FEMA has taken aggressive steps to speed the provision of funds to the States and to encourage the States to provide funds to local applicants. While FEMA has obligated the majority of public assistance funds to the States, it is important to recognize that the approval of projects and the obligation of funds is just the beginning of the rebuilding process. Local jurisdictions are now entering what will be a lengthy and challenging rebuilding effort. A construction project for just one school is a significant undertaking for a local community—the repair and rebuilding of entire communities will continue to challenge and stretch local capabilities.

FEMA will remain on the ground, committed to supporting our State and local partners, as they undertake major repair and construction projects to their roads, bridges, schools, utilities, and other public facilities. As the brick and mortar projects are executed, we will continue to identify additional eligible work that was not originally anticipated. The PA program is a reimbursements program and FEMA will pay actual costs for eligible work.

Conclusion

Throughout the Gulf Coast, we have piloted many new initiatives that have contributed not only to the recovery of the Gulf Coast but have also contributed to the retooling and improvement of FEMA. These initiatives and our lessons learned will help to improve the effectiveness of FEMA's programs in future disasters.

While repairing damaged and destroyed infrastructure has been, and will continue to be a challenge, FEMA remains committed to providing and coordinating continued assistance to the victims of hurricanes Katrina and Rita.

Thank you again. We are prepared to address any questions you may have.